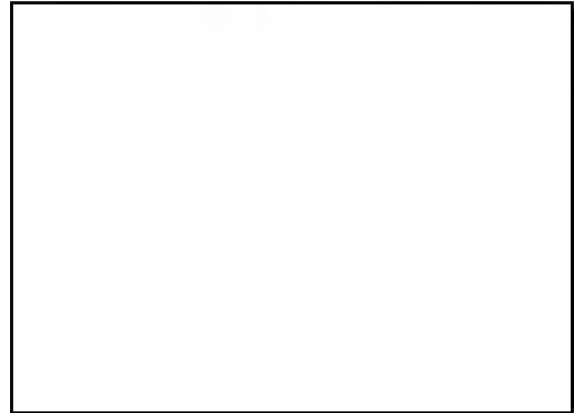


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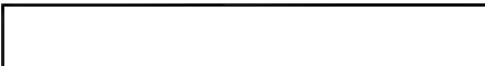
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Peru: Government move seriously threatens US-owned oil company. (Page 4)

UK - South Arabia: Negotiations with liberation front (Page 5)

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Peru: Future operations of the International Petroleum Company in Peru are seriously threatened by a recent government decision.

The government announced on 11 November that a study just completed by the Ministry of Development had "proved" the US-owned oil company had unjustly enriched itself at Peru's expense. The government therefore authorized judicial proceedings against the company to collect additional taxes allegedly owed by the company as well as its profits for the last 15 years, the period allowed under the statute of limitations. The government apparently bases the latter action on the theory that the company never held valid title to the oil reserves.

Title to the oil fields in northern Peru was in dispute even before the International Petroleum Company acquired them in the 1920s. On 10 August a supreme decree signed by President Belaunde reaffirmed Peru's "complete sovereignty" over the fields and directed the Ministry of Development to determine the amount of back taxes and profit owed to Peru.

The government's latest action, obviously politically inspired, could have an adverse effect on future US investments in Peru. [REDACTED]

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NOTE

UK - South Arabia: The British decision to negotiate the transfer of authority in South Arabia with the National Liberation Front increases the chances for an orderly withdrawal of UK troops. Foreign Secretary Brown announced to Parliament yesterday that negotiations with the front will begin in Geneva in about a week. He added that, if the talks are not completed by 30 November, the final withdrawal date, they could be continued as negotiations between two independent countries. This development should help the liberation front in establishing an operative government before the British leave. [REDACTED]

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